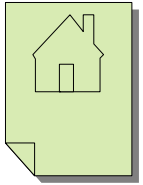


CITY OF RALEIGH
COMMUNITY DEVELOPMENT DEPARTMENT



LOAN AND REHABILITATION PROCESS SUMMARY

This describes a typical step-by-step process for a transaction involving the purchase and/or rehabilitation of a property. It explains the role of the lender (the City), contractor, borrower, rehab consultant, and appraiser. On average, this process takes approximately four months from the time of application to closing. If you already own your home, skip to section D.

A. Homebuyer Locates the Property. (If you already own the property, skip to section D) The City does not assist with finding eligible properties. It is recommended that you retain the services of a professional, such as a realtor.

B. Preliminary Feasibility Analysis. After the property is located, you and your realtor should make a marketability analysis prior to signing the sales contract. The following should be determined:

1. The extent of the rehabilitation work required;
2. Rough cost estimate of the work, keeping in mind that the rehab cost must be at least 35% of the loan amount; and
3. The expected market value of the property after completion of the work. Note: you do not want to spend money for an appraisal and repair specifications (plans) then discover that the value of the property will be less than the purchase price (or existing indebtedness), plus the cost of improvements

C. Sales Contract is Executed. A provision should be included in the sales contract that you have applied for City financing and that the contract is



CITY OF RALEIGH
COMMUNITY DEVELOPMENT DEPARTMENT

contingent upon loan approval and your acceptance of additional required improvements as determined by the City.

D. Applying For the Loan. You will need to make an appointment to visit our office to fill out a loan application. There will be certain information that you will need to submit so that we can evaluate your application request in a prompt and timely manner. The more thorough you are in providing the information we need upfront, the more quickly we'll be able to process your request. Initially, you will need to bring the following information, for all household members 18 years of age and older, with you to your scheduled appointment.

1. If employed, last year's W-2, most recent year-to-date pay stub, and signed tax returns for the past two years
2. Verification of other income, such as social security, public assistance, child support, retirement or disability benefits
3. If self-employed, signed tax returns for the past two years
4. A list of names of companies or lenders with whom you have charge accounts or loans, the account numbers, current balances and monthly payments
5. A list of current assets (bank statements for checking and savings accounts, information about other real estate you own, retirement accounts, etc.)
6. Offer to Purchase and Contract (if the loan requested includes the purchase of real property)
7. Application fee (refer to program fact sheet for amount of fee – no cash please)



CITY OF RALEIGH
COMMUNITY DEVELOPMENT DEPARTMENT

While we intend for this list to be all inclusive you may be asked to provide additional information. Your Loan Specialist will notify you if any additional information is needed.

- E. **Credit Underwriting.** After your application package has been determined to be complete, it will be forwarded to a Loan Specialist for review and underwriting to determine if you qualify.

- F. **Property Evaluation/Feasibility Study.** If it is determined that you qualify, the City will schedule an initial inspection of your property to determine if the property is eligible for the rehab program and meets program guidelines. A Rehab Consultant will be assigned to your project and will contact you to schedule a site visit. Based on the results of the site visit, the representative will prepare a rehab feasibility report, which includes the required repairs necessary to meet City program guidelines and a cost estimate of the required repairs.

- G. **Historical Review.** Once it has been determined that your property is suitable for rehabilitation, we will order an historic review to determine if the property has any historic significance, which might affect the work that is required.

- H. **Issuance of Conditional Commitment.** You will be notified of a decision made on your loan application request. If your loan is approved, you will be provided with a Conditional Loan Commitment Letter that will outline the terms and conditions of your loan approval. The commitment will be subject to an acceptable title report, appraisal, lead based paint and asbestos hazard assessment, and environmental review.

CITY OF RALEIGH
COMMUNITY DEVELOPMENT DEPARTMENT

- I. **Preliminary Title Report.** We will order a title report, which details the past and current facts regarding ownership of the property, from an attorney. The attorney must be able to certify clear title to the property before closing.
- J. **After Rehab Appraisal.** Generally, a property appraisal report is required in order to help us determine the value of the property which will be used as collateral for the loan. The appraiser will comment on the overall value of the property, subject to the required repairs listed on the feasibility study and will issue a report. A list of approved appraisers is available upon request. Your loan specialist will order the appraisal once you have selected an appraiser.
- K. **Lead Based Paint and Asbestos Assessment.** If the property was built before 1978 there is a possibility of the presence of lead in the paint, vinyl, tile, mastic, or plaster and/or ceiling plaster. The Rehab Specialist will schedule a lead based assessment and the results of the testing will be incorporated into the rehab specifications (also known as work write up).
- L. **Environmental Review.** We will perform an Environmental Review, which is required for all federally funded projects. This level of review will assess any floodplain, toxic, and noise hazards, as well as any impact on the historic district or properties, which might affect the work that is required.
- M. **Project Budget.** Based on the above information, the Loan Specialist will determine the project budget.
- N. **Develop Specifications, Homeowner Review and Acceptance.** Once the project budget has been determined, the Rehab Specialist will develop the rehab specifications which address all structural, electrical, and safety



CITY OF RALEIGH
COMMUNITY DEVELOPMENT DEPARTMENT

issues in addition to the results of lead and asbestos testing and environmental concerns. All other cosmetic issues follow in order of priority.

- O. **Bidding Process.** Once the specifications have been reviewed and approved by the homeowner, the homeowner, along with assistance from the Rehab Consultant, will solicit bids from reputable contractors. Upon request, a list of contractors that have participated in our program may be provided.
- P. **Contractor Selection.** Once the bids have been received and reviewed by the homeowner, the homeowner selects the contractor of choice. The selected contractor must be pre-approved by the City.
- Q. **Rehab Contract.** Once the contractor is selected, the Rehab Specialist prepares the contract for signature by the homeowner. The contract is between the homeowner and contractor but the City has the financial responsibility to ensure that the project runs smoothly and gets completed in a timely fashion.
- R. **Final Commitment.** Once a rehab contract has been signed, your loan specialist will issue a final commitment letter that states all terms and conditions of the loan.
- S. **Closing.** Closings are scheduled in the office of E. Richard Jones, Jr., Attorney at Law unless you want to select another attorney and notify us in advance. Please note that if your loan request is approved and the loan closes, a Deed of Trust (also know as a Mortgage) will be filed resulting in a lien against your property through the term of the loan.



CITY OF RALEIGH
COMMUNITY DEVELOPMENT DEPARTMENT

- T. **Rehabilitation Construction Begins.** At loan closing, the mortgage proceeds will be disbursed to pay off the seller of the property, if applicable. Additionally, a rehabilitation escrow account will be established in which the funds designated for the rehabilitation are to be placed. At this time, construction may begin. The contractor has up to ninety (90) days to complete the work depending on the extent of work to be completed.
- U. **Releases from Rehabilitation Escrow Account.** As construction progresses, funds are released after the work is inspected. A maximum of four draw inspections plus a final inspection are allowed. Upon inspection, the rehab consultant prepares a payment request to cover the percentage of work completed by the rehab contractor. The borrower is required to approve each payment request.
- V. **Completion of Work/Final Inspection.** When all work is complete according to the approved specifications and change orders, the borrower provides a letter indicating that all work is satisfactorily complete and ready for final inspection to be performed by the rehab consultant. If there are unused contingency funds in the escrow account, the lender (the City) must apply the funds to prepay the mortgage principal.

